

**TOWN OF DUCK  
TOWN COUNCIL  
RECONVENED REGULAR MEETING  
June 13, 2008**

The Town Council for the Town of Duck reconvened at the Duck Municipal Offices at 1:00 p.m. on Friday, June 13, 2008.

COUNCIL MEMBERS PRESENT: Mayor Neil Morrison; Mayor Pro Tempore Monica Thibodeau; Councilor Nancy Caviness; Councilor Bart Smith; and Councilor Dave Wessel.

COUNCIL MEMBERS ABSENT: None.

OTHERS PRESENT: Town Manager Christopher J. Layton; Director of Community Development Andy Garman; Police Chief Phillip Ferguson; Fire Chief Donna Black; and Town Clerk Lori Kopec.

OTHERS ABSENT: Town Attorney Donald I. McRee, Jr.

The meeting was called to order by Mayor Morrison at 1:08 p.m.

**CONTINUED WORK SESSION ON THE PROPOSED FY 2009 BUDGET**

Mayor Morrison stated that this meeting would be a continuation of the June 4, 2008 meeting. He stated that Council held a public hearing regarding the fiscal year 2009 budget, which was concluded and now Council was continuing their discussion phase of the meeting. He noted that the budget was initially presented to Council on April 23, 2008 and a work session was held on May 21, 2008 in which Council received a number of comments from the public. He stated that a public hearing was held on June 4, 2008 and that this meeting was a continuation of that meeting, adding that it was now at the Council discussion phase.

Mayor Pro Tempore Thibodeau stated that she was glad Council had an opportunity to further discuss the proposed budget. She reiterated her previous comment that the Town was at a crossroads regarding where the Town has come over the last six (6) years and where it's going. She stated that there were some big decisions to be made and thought the budget had decisions that would be made. She stated that she appreciated everyone's participation and taking the time to go over the budget. She thought the Town was looking at a tax increase as the service level has been brought to a point where people expect it and rely on it. She believed that taxes would have to be raised to sustain the service levels. She thought there were decisions to be made with regard to where the Town was heading. She stated that the proposed budget was thorough and thoughtful. She stated that she had tried to find something in it that could be moved or deferred and that the question now was whether the Town should keep going as it has been or slow down. She stated that she heard from a lot of people that the Town needed to slow down. She thought there needed to be a tax increase, but didn't think the Town needed to forge ahead at a breakneck speed with some of the projects.

Mayor Pro Tempore Thibodeau suggested having only one (1) replacement Police vehicle and hold off on building the amphitheater as that would create new expenses and obligations to the Town. She stated that after reading the Town's Land Use Plan, she felt that the amphitheater was not considered passive recreation. She thought there should be more discussion on where the

Town would be with regard to the events at the park. She felt the amphitheater could be deferred since it was a phased project. She stated that she appreciated that the Town obtained a grant to build the amphitheater, but thought that with the amount of money the Town contributes to the Occupancy Fund, she thought the Tourism Bureau would be receptive to funding the construction via grant funds at a later date. She felt the Town should take a year or two (2) to level things off and thought the Town staff needed suitable facilities, proposing planning the Town building in a phased approach without a formal building for meetings. She reiterated that the Town needed to take a break and satisfy the need for a place for the Town employees to function. She stated that once times are better, planning could be done for a building for meetings. She thought it took courage to take a hard look where the Town was going. She reiterated that she would like to defer one (1) Police vehicle, the construction of the amphitheater and some type of reduction in the planning for the Town offices.

Councilor Caviness stated that she was prepared to support the budget that was presented with the proposed tax increase. She stated that the budget was not padded or prepared for Council to slash things apart. She thought that past budgets were drilled down to reflect the current level of services that were required or demanded of the community. She noted that a few emails commented about having the tourists pay and that a community of 500 does not need all the things in the budget. She pointed out that the Town was one that had very few residents but that it was one that served 20,000-25,000 people, who do most of the paying. She stated that the services were for all of the properties in Duck. She stated she was not opposed to trimming and delaying items from the budget. She stated that even with the trimming, she was still in support of the proposed tax increase.

Councilor Smith stated that he appreciated Mayor Pro Tempore Thibodeau's comments. He thought there could be some small cuts, such as the dune planting project. He thought there were still funds available to the Town that would take the place of that cost. He stated he would not have a problem with replacing one (1) Police vehicle. He stated that, contrary to what he has said in the past, he would suggest cutting the contribution to the Contingency Fund. He stated he was not in favor of putting off the amphitheater. He stated he did not agree with a phased approach to the Town Hall as he wasn't sure where Council would hold their meetings.

Councilor Wessel agreed with Mayor Pro Tempore Thibodeau and Councilor Smith's comments regarding proposed cuts for the budget. He complimented Town Manager Layton and his staff for preparing such an excellent budget document. He pointed out that Town Manager Layton had stated in his cover letter for the budget package that the proposed budget was more of a maintenance budget. He thought that the proposed budget was higher than what was considered a maintenance one. He stated that Town Manager Layton's letter also discussed increasing the Town's undesignated Fund Balance, which was in the upper thirty percent (30%) of the annual budget. He stated that Town Manager Layton had proposed increasing it by three percent (3%) more. He stated that he was not asking for any cuts that would result in a reduction of service levels but in a reduction of the tax increase. He suggested delaying construction of the amphitheater; delay the soundside boardwalk planning; eliminate the dune planting project; defer purchasing both replacement Police department vehicles; eliminate the building permit software; hold off completely on the Fund Balance increase; reduce the Sanitation budget; and reduce the employee yearly salary increases. He stated that by making these changes, it would bring the tax increase down to \$.005 instead of \$.0275. He stated that if his math was correct, he came up with a \$475,000 difference versus the proposed budget and that it would lead to a \$.005 tax rate increase.

Mayor Morrison thanked Council for their comments and noted that Council had been struggling with the issue for quite a while. He stated that Paul Keller's Municipal Property Committee came up with the Master Plan for the Park which included an amphitheater. He believed that the concerts and events at the Park bring people to Town. He added that the financial benefits to the Town were greater than the cost of constructing the amphitheater. He thought it would be a mistake to defer the amphitheater as the Tourism Bureau wants to support the project in any way they can. He reiterated that if the Town declined the grant funds for the amphitheater this year, it wouldn't be assured that it would be able to obtain one in the future. He added that it would cost a lot more to construct if the Town deferred the project. He asked Town Manager Layton what he would recommend if Council asked him to trim the tax increase by a quarter (1/4) point.

Town Manager Layton stated that as much as he would like to help Council with some of the decisions, the amphitheater was their call. He stated that when he put the budget together, he was trying to meet the goals as he understood them. He noted that Councilor Wessel's cuts would only save the Town one (1) cent and went on to explain it to him. He stated that he did not touch the amphitheater and the Contingency Fund when he was trying to find a way to trim the budget by a quarter (1/4) point. He stated that he would like to try experimenting with a hybrid vehicle for the Police Department. He added that cutting one (1) replacement vehicle was workable. He stated that by changing a few assumptions on the solid waste increases, he was confident the Town could save \$31,500. He thought the dune planting could be cut as the Town has money left over from the Shoreline Commission that could be used. He stated that these cuts would get the Town the quarter cent (\$.25) reduction.

Mayor Pro Tempore Thibodeau clarified that the size of the Town Hall building concepts showed two (2) buildings and that the size of the building had extra room, including an 800 square foot lobby area. She thought if the Town had something modest to accommodate their gatherings, that would be a good way to do it. She suggested a modest phased approach to the Town Hall building. She stated that she appreciated Town Manager Layton's agreement on deferring one (1) replacement Police vehicle. She stated that she appreciated Mayor Morrison's comments regarding the amphitheater, but reiterated that the Outer Banks Visitor's Bureau would probably give the Town a grant at a later date for the construction of the amphitheater. She asked everyone to think about what would be done with the amphitheater once it's built as that issue had not been addressed, even in the CAMA Land Use Plan. She felt there needed to be some vision with regard to what will be done as the Land Use Plan speaks of passive recreation and she felt the amphitheater was contrary to that. She noted that it will cost the Town money to construct the soundside boardwalk. She stated it was a big project and hoped the Town could obtain grant funds, but thought there would be a financial responsibility on the Town.

Councilor Smith stated he was glad Town Manager Layton addressed Councilor Wessel's proposed cuts as they will have an impact on the shared revenues in Town. He stated he was not worried about how to use the amphitheater as he believed it was part of the vision for the park. He reiterated that the Town has grant funds to construct it and felt it should not be deferred. He felt the timing was right to construct it.

Councilor Caviness thanked Mayor Morrison for his explanation on grant procedures for the Tourism Bureau. She noted that their budget gets impacted by what other towns do. She echoed Mayor Morrison's concerns about the grant funds for the amphitheater not being there if the Town waits.

Councilor Wessel stated that by having the Town save a quarter would be an insult to the citizens of Duck. He went on to read emails that have been received since the June 4, 2008 meeting that

were in opposition and support of the proposed tax increase. He noted that a quarter decrease was a start in looking at where the Town was going but didn't think it was showing restraint. He thought that the Tourism Bureau would support the Town's request in the future if it was decided to defer the construction of the amphitheater. He stated he wanted to obtain a sense regarding the Fund Balance as he felt he could not support adding money to it.

Mayor Pro Tempore Thibodeau explained that past Councils had a lot of discussions regarding the Fund Balance and had set the policy to be between 75-100% based on what the Local Government Commission recommended for coastal areas. She thought the Town should be contributing to it. She stated that she would be in favor of scaling down the contribution to the Fund Balance but would not eliminate it totally. She thought it was important to continue adding to the Fund Balance.

Councilor Caviness stated that she supported the level of the Fund Balance that had been devised in the Town's policy. She didn't think now was the time to revisit the policy.

Councilor Wessel agreed now was not the time to revisit the Fund Balance policy. He thought it could be done at the 2009 Retreat. He thought having the 100% Fund Balance policy was a burden on the tax payers. Mayor Morrison noted that the goal was 75-100%. Councilor Wessel still felt it was hard to understand. Mayor Pro Tempore Thibodeau noted that the Town was basically putting savings in. Councilor Caviness stated that the Town was still falling short. Mayor Pro Tempore Thibodeau stated that the Town was not getting to the 75-100% very quickly. She thought that the Town's goal was working toward 75-100% and not creating it immediately. Mayor Morrison explained that the Fund Balance level was discussed in depth a few years ago and Council had decided on 75-100% as a level to shoot for. He stated that when the State reviewed the Town's records in order to set its bond rating, they thought the Fund Balance should be higher.

Mayor Morrison called for a five minute recess. The time was 2:12 p.m.

Mayor Morrison reconvened the meeting.

Mayor Morrison thought Town Manager Layton was doing a fine job and felt uncomfortable disregarding a large percentage of what he had recommended. He stated that he paid close attention to all comments received from the previous meetings by the public. He noted that Council was interested in everyone's opinion and carefully considered them. He reiterated that sixty-five percent (65%) of Duck's citizens would be paying less than \$200 per year with the original proposed tax increase. He stated that the tax increase would be 7.8% of Dare County's ad valorem tax. He stated there would be a 30% increase in the Town's portion of the tax. He stated that he liked Town Manager Layton's suggestion regarding trimming one (1) Police replacement vehicle and purchasing a hybrid vehicle. He stated that the cuts to Solid Waste and dune planting would enable the tax rate to come to 2.5 cents. He stated that he did not feel comfortable reducing the Fund Balance. He thought the Town should move ahead with the plans for the park. He stated that he respected the opinions of the Council members but did not think Council would be a responsible group by not having a tax increase.

Mayor Morrison moved to accept the proposed Fiscal Year 2009 budget, trimming one (1) Police vehicle, the dune planting expenditure and requesting that Town Manager Layton trim \$33,500 from the Solid Waste program, leaving the tax increase at 2.5 cents.

Councilor Wessel suggested that 2.5 cents was not just what could be afforded but how much the Town should be collecting from property owners. He thought it was a basic question regarding what the Town needed in order to maintain its current level of service. He stated that some of the questions from property owners still have not been addressed in the 2.5 cent increase. He added that questions regarding the park were practical, such as whether the Town should be paying for the Tai Chi and Pilates classes; if the landscaping at the park were extravagant or keeping with a beach community; if the amphitheater was built – who would perform and pay for the performers; what was the correct staffing for the Police Department; and should the Fire Department have a paid staff, volunteer staff or a mixture. He stated that after talking to citizens regarding these questions, he felt there weren't any good answers and the proposed budget discussion was not the time to be answering strategic questions. He stated that he would not be able to support 2.5 cents as it didn't strategically represent where most of the property owners think the Town was going.

Councilor Caviness stated that in regard to Councilor Wessel's questions that he was asked by citizens regarding staffing; those decisions were made by the department heads of the Town. She stated that she wasn't going to tell the department heads how to run things and what type of staff they need. She pointed out that everything that was growing or planted in the park was also planted at most homes in Duck. She stated that she was in support of Mayor Morrison's motion.

Councilor Smith stated that he had a problem with some of Councilor Wessel's comments. He stated that the idea that there were no good answers to the questions Councilor Wessel was asked was untrue. He stated that a lot of the questions could be answered right away. He stated he could tell the citizens why paid staff was needed at the Fire Department, as having three (3) full time people will help with a Fire Department comprised of mostly volunteers. He stated that the Police Department does not service a town of 500. He noted that unless there was an evacuation, there were always more than 500 people in Town. He disagreed with Councilor Wessel's comment that he had spoken to most property owners and found out who was for and against the increase. He stated that he had not spoken to most property owners and noted that a total of twenty (20) emails were read. He stated that he had spoken to 20-30 people with the some of them in favor of the increase as well as some who were opposed. He stated that he listened to the people that he had talked to and that all of the Council members listen to what people have to say. He added that tax increases were always an unpopular topic. He stated that the budget was trimmed by \$125,000 before Council even looked at it and added that an additional \$100,000 was just trimmed. He noted that Duck has the lowest tax percentage in Dare County. He stated that he had spoken to people that would like to live in Duck but cannot afford it, but that it was not because of the taxes, but because of what Duck has to offer. He thought that raising taxes 2.5 cents to keep the Town's vision going was worth it. He stated that it was a small price to pay to live in Duck. He stated that the increase was not as big a deal as people were making it out to be.

Mayor Pro Tempore Thibodeau stated that she had not heard any Council members discuss reducing staff requests at great length. She thought staff did a remarkable job and functioned very well. She didn't think there was a question in the budget regarding policies of Town staff. She thought there was merit to Councilor Wessel's comments regarding the budget and how the Town was going to pay for everything. She stated that she wished Council could have continued detailed discussions on the Capital Improvement Plan and what the priorities were instead of discussing it at the budget work session. She stated that she appreciated the vision of the Town, but thought there was a point where it needed to be decided where the Town was going. She stated that everyone will have a different opinion on the tax increase. She stated that she would like to have a discussion on where the Town was going with regard to the activities and how the Town Hall building could be minimized and not be more elaborate than what it should be. She felt the Town Hall building needed more discussion. She encouraged the audience to attend the

Planning Board and Municipal Property meetings. She stated that she appreciated that some cuts could be made but didn't think it was enough and could not support the budget without more cutting. She stated that she would've liked to have seen the tax increase cut by a half cent instead of a quarter. She stated she would like to continue discussions on the increase.

Councilor Caviness explained that the preparation of the budget was based on how well Council have articulated their vision to Town Manager Layton and was not an arbitrary document that was dreamed up by him. She stated that the budget was prepared to the best of Town Manager Layton's ability based on what Council had indicated over the course of the year. She stated that he has achieved this goal every year since he was appointed Town Manager. She stated that if anything was not well defined or not defined enough, it was Council's job to research and not Town Manager Layton's.

Councilor Wessel echoed Councilor Caviness' comments. He stated that his criticisms were not directed at Town Manager Layton or any staff member, but were meant to be critical of the budget numbers alone.

Motion carried 3-2 with Mayor Pro Tempore Thibodeau and Councilor Wessel dissenting.

Mayor Morrison thanked Council for their discussion and professionalism.

**ADJOURNMENT**

Mayor Morrison moved to adjourn the meeting.

Motion carried 5-0.

The time was 2:49 p.m.

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Lori A. Kopec, Town Clerk

Approved: July 2, 2008 \_\_\_\_\_

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Neil Morrison, Mayor